

# ACTION FUND LOAN PROGRAM

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

## PURPOSE

Provides a loan to certain types of for-profit companies that need funds for start-up or expansion and have exhausted other sources.

## AUTHORIZATION

Public Law 93-383, Title I of the Housing & Community Development Act of 1974, as amended; 24 CFR Part 570; and Missouri's "Consolidated Plan" submitted to the U.S. Department of Housing and Urban Development.

## HOW THE PROGRAM WORKS

The Department of Economic Development (DED) will provide funds in the form of a loan to an approved company. The loan may be in a subordinate collateral position to the lead/primary lender at the sole discretion of DED. This determination is based on cash flow, collateral, credit history, character and other credit/collateral considerations of the business and owner.

## ELIGIBLE AREAS

The loan must be made in cooperation with a city or county sponsor in a "non-entitlement" area where the project will be located. A non-entitlement area is a city with population under 50,000 and/or a county with a population under 200,000.

## ELIGIBLE APPLICANTS

For-profit manufacturing, processing and assembly companies that will have wages above the county average and provide medical benefits are prioritized. Other types of companies will be considered if they do not negatively impact other area businesses.

## ELIGIBLE USE OF FUNDS

The purchase of new machinery and equipment or working capital is eligible. Refinancing, pay out

of stockholders, buyouts or lines of credit are not eligible.

## APPLICATION PROCEDURE

1. It is recommended that the business discuss applicable funding sources with the DED.
2. If an Action Fund Loan were determined to be the most appropriate funding source, a sponsor (city/county) would insert a public hearing notice in a local newspaper. At least five (5) days later, the sponsor holds a public hearing, and then the application is submitted to DED.
3. The sponsor would complete the environmental review, and have a FONSI/RFF (Finding of No Significant Impact / Request For Funds) notice published in the newspaper.
4. DED will approve (with possible modifications) or deny the request within about 30 days. The projected growth of the company, economic impact, the risk of failure, and the quality of management are critical factors for approval.

The application and guidelines are available at the Missouri Finance Network web site:

[www.ecodev.state.mo.us/cd/finance](http://www.ecodev.state.mo.us/cd/finance)

## FUNDING METHOD

1. A Loan Agreement is executed between the company, DED and the city/county sponsor.
2. Action Fund Loan proceeds are typically disbursed after all other funds. Proceeds would be provided upon the submission of invoices for approved items, or other approved documentation. Such documents must be dated after the date of DED's approval of the loan. Typical turn-around time from the submission of the RFF (request for funds) to the receipt of proceeds is 10 days.

## FUNDING LIMITS

DED must determine that the borrower has exhausted other funding sources and only the least amount needed to complete the project may be provided. In any event, an Action Fund Loan would be limited to the LOWER of: \$750,000 per project; 40% of the total project cost; or \$25,000 per new full-time year-round job.

## SPECIAL PROGRAM REQUIREMENTS

- ?? **LMI Employees:** At least 51% of the new jobs to be created must be taken by persons considered “low to moderate income” (LMI). The LMI standard is based on the prior year’s total family income. The LMI standard for a three person family is about \$22,000 in rural areas and \$32,000 in metro areas.
- ?? **Lack of other funds:** The company must demonstrate that bank financing and owner equity resources have been maximized, and that a “gap” of funding for the project remains.

## TERMS AND CONDITIONS

- ?? **Interest Rate:** Current prime rate, fixed or floating.
- ?? **Term:** Three to ten years, depending on the type of collateral.
- ?? **Collateral:** Depends on the predictability of the cash flow (the less predictable, more collateral will be required).

## CONTACT

MO Department of Economic Development  
Incentives Section  
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Jefferson City, MO 65102  
Phone: (573) 751-0717 Fax: (573) 751-7384  
E-mail: dedfin@mail.state.mo.us

## OTHER SERVICES OF DED

### DED REGIONAL OFFICES

St. Louis (314) 340-6823  
Kansas City (816) 889-2900  
Trenton (660) 359-5960  
Springfield (417) 888-4001  
Moberly (660)269-8802  
Dexter (573) 624-9950  
Houston (417) 967-5770  
Jefferson City (573) 751-0482

## RELAY MISSOURI SERVICE

Voice user calling a hearing/speech impaired user:  
800-735-2466.  
Hearing/Speech impaired user calling a voice user:  
800-735-2966.

## EMPLOYMENT ASSISTANCE

DED’s Division of Workforce Development works in collaboration with its one-stop career system partners to offer workforce development assistance to job seekers and employers. By using the State’s network of one-stop career centers, customers can access America’s Job Bank, seek referral and placement assistance, career counseling and testing, labor market information and use Missouri WORKS!, an Internet based, self-service workforce development tool. To find your nearest Division of Workforce Development location, consult your telephone directory under State Government or visit [www.ecodev.state.mo.us/wfd](http://www.ecodev.state.mo.us/wfd)

## MISSOURI MARKETPLACE

Information on thousands of Missouri-made products and services designed to encourage both in-state and out-of-state businesses and consumers to buy Missouri-made products. Registration is free and open to any Missouri-based company. To search the database or register your company, visit [www.missourimarketplace.org](http://www.missourimarketplace.org).

## INTERNATIONAL MARKETING

DED's Office of International Marketing works to make companies aware of international opportunities and help them secure new business. For more information on the services available, please call (573) 751-4855 or 1-888-690-4855, by e-mail at [missouri@mail.state.mo.us](mailto:missouri@mail.state.mo.us) or visit [www.ecodev.state.mo.us/intermark](http://www.ecodev.state.mo.us/intermark).